

ROUTING AND RECORD SHEET

SUBJECT: (Optional)				
FROM: SB/BF 5B4804		EXTENSION 6096	NO. DATE	
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
	RECEIVED	FORWARDED		
1. C/SB/SS	17 JUN 1970		[]	
2.				
3. C/SB/PO/M	17 JUN 1970		[]	
4.				
5. AC/SB/POS			[]	
6.				
7. DC/SB	18 JUN 1970		[]	
8.				
9. C/SB	18/6		[]	
10.				
11. AC/SB/POS				
12.				
13.				
14.				
15.				

7-9: I mentioned these potential problems to you some weeks ago.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCES METHOD EXEMPTION 3828
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

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16 June 1970

MEMORANDUM FOR: Chief Soviet Bloc

SUBJECT : Comments on the AERODYNAMIC report of Audit
for Period 1 January to 31 December 1969

1. I wish to discuss the auditor's comments and recommendations contained in paragraphs five and six of the subject report:

REGARDING PARAGRAPH FIVE: The auditor restricted his comments on funds overexpenditure to the activities of the domestic corporation (AETENURE). As the Audit Staff has not to this time performed a detailed site audit of the Munich sister organization, AETERRACE, audit considerations of this sector of project activity is necessarily limited.

The following information is extracted from the budget section of the AERODYNAMIC FY-1971 Project Renewal:

FY-1968 Project Income:

Agency Subsidy	[
Bonafide	7,919.33
TOTAL	[
Less: Project expenses	204,454.77
Net Operating Deficit	[

FY-1969 Project Income:

Agency Subsidy	[
Bonafide	5,100.00
TOTAL	[
Less: Project expenses	200,937.72
Net Operating Deficit	[

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FY-1970 (estimated) Project Income:

Agency Subsidy	
Bonafide	4,800.00
TOTAL	
Less: Estimated Project exp.	202,716.00
Net Operating Profit	

With outgo exceeding income in the past, it is not difficult to see how the working capital position of AETENURE became so tenuous. The project's subsidy payments were made (and expended on our records) to both project facilities according to set fiscal year schedules. Clearly, there has been no cognizant effort by project or division management to relate the calendar-year recorded expenditures of each facility with the associated fiscal year subsidy payments. I suggest that SB/POS, with SB/BF assistance, assure by quarterly financial review and reconciliation of the facilities fiscal reports that future rates of expenditures are consistent with the subsidy scheduling and that accounts payable and other liabilities do not accrue for unreasonable periods of time and in unreasonable amounts. Meanwhile I believe that action (by project amendment) should be taken to fund \$10,358.00 to settle the company's liability to the trust fund. FY-1970 funds could be made available for this purpose.

REGARDING PARAGRAPH SIX: Attached as Exhibits A, B and C are data providing some insight into the state of the AETENURE Pension Fund. A thorough study of this fund would probably lead one to conclude that it is not adequately administered; and question whether it is adequately providing for the retirement years of the AETENURE employees. I agree with the audit recommendation that we immediately seek advice from the Office of Personnel on trust fund management. The Trust Fund Agreement and other pertinent data is available in the SB/POS files.

2. I believe that the remaining recommendations in the Audit Report can be effectively acted on by project management in concert with the Support Staff; albeit with considerable effort.

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EXHIBIT A

PROLOG RESEARCH CORPORATION

PENSION PLAN DETAIL

#	Name:	Age:	Annual Salary:	Expected Retirement Date:	Amount of Pension Plan as of 12-31-69
1.	M. Lebed	59	\$13,500.00	1 Dec 1975	\$14,304.40
2.	M. Prokop	57	12,600.00	1 Jun 1978	12,116.40
3.	B. Czajkowskyj	55	12,000.00	1 Jul 1980	11,045.58
4.	A. Kaminsky	45	12,600.00	1 Jun 1990	11,238.08
5.	G. Lopatynski	63	9,900.00	1 Jan 1972	9,932.51
6.	T. Jurewycz	64	5,400.00	1 Jun 1971	6,250.86
7.	N. Ilnytzkyj	46	5,400.00	1 Sep 1989	<u>1,043.57</u>
Total amount of Pension Plan as of 31 Dec. 1969					<u><u>\$65,931.40</u></u>

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EXHIBIT B

PROLOG TRUST FUND RECONCILIATION
AS OF 31 DECEMBER 1969

	<u>ASSETS</u>	<u>LIABILITIES</u>
CASH DUE FROM PROLOG CORPORATION	\$10,357.96	
CASH INVESTED INTO MUTUAL FUNDS:		
PUTNAM GROWTH FUND	\$23,776.83	
CAPITAL LIFE INSURANCE FUND	2,036.10	
CHANNING SPECIAL	5,980.01	
INVESTMENT TRUST (BOSTON)	17,994.37	
FIDELITY TREND FUND	7,580.93	
WINCAP FUND	<u>5,000.00</u>	
	62,368.24	
UNREALIZED INVESTMENT LOSS		\$ 6,794.80
EMPLOYEE EQUITY IN REMAINING VALUE:		
<u>EMPLOYEE</u>	<u>% OWNERSHIP</u>	
LEBED	21.70 %	14,304.40
PROKOP	18.38 %	12,116.40
CZAJKOWSKYJ	16.75 %	11,045.58
KAMINSKY	17.05 %	11,238.08
LOPATYNSKI	15.06 %	9,932.51
JUREWYCZ	9.48 %	6,250.86
ILNYTZKYJ	<u>1.58 %</u>	<u>1,043.57</u>
	100.00 %	
	<hr/>	
	\$72,726.20	\$72,726.20

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PROLOG TRUST FUND ANALYSIS
AS OF 31 DECEMBER 1969

EXHIBIT C

DETAIL	PUTNAM FUND		CAPITAL LIFE		CHANNING LIFE		INVESTMENT TRUST/BOSTON		FIDELITY TREND FUND		WINEAP FUND		SUMM.
	SHARES	DOLLARS	SHARES	DOLLARS	SHARES	DOLLARS	SHARES	DOLLARS	SHARES	DOLLARS	SHARES	DOLLARS	DOLL.
FUND VALUE AS OF 31 DEC. 1968	1807.400	235,323.5	264.547	22,036.8	2573.573	1,091,195	1220.248	171,720.2	213.812	66,645.2	-0-	-0-	604.8
DISTRIBUTIONS DURING 1969	219.270	23,261.1	5.944	502.6	318.612	1,152.56	70.659	938.55	24.693	70,553	410.846	50,000.00	1,017.
BOOK VALUE AS OF 31 DEC. 1969	2026.670	258,584.6	270.488	22,539.4	2892.185	1,206,451	1290.707	181,105.7	238.505	73,700.5	410.846	50,000.00	70.65
FUND VALUATION AS OF 31 DEC. 1969	2026.670	203,477.7	270.488	19,285.8	2892.185	801,135	1290.707	156,175.5	238.505	59,459.3	410.846	37,222.6	555.7
LESS: FUND PURCHASE COST	-	23,776.83	-	2,036.10	-	598,001	-	179,943.7	-	75,809.3	-	50,000.00	623.6
UNREALIZED GAIN (LOSS)		(34,290.6)		(1,075.2)		2,031.34		(23,768.2)		(16,350.0)		(12,777.4)	(67.9)
FUND VALUATION AS OF 31 DEC. 1969				55,573.44									
ADD: CASH DUE FROM PROLOG				1,035,798									
EMPLOYEE ADJUSTED INVESTMENT				659,314.0									

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